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## Local Government & Housing Committee

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### HB 1141

**Brief Description:** Concerning a sales and use tax rebate for materials and services related to the construction of affordable housing.

**Sponsors:** Representatives Lias, Sells, Chase, Springer, Ormsby, Simpson, Miloscia, Williams, Nelson, Dickerson, White, Goodman and Hinkle.

<p style="text-align: center;"><b>Brief Summary of Bill</b></p> <ul style="list-style-type: none"><li>• Provides an exemption in the form of a refund for state and local sales and use taxes imposed on materials, labor and services related to the construction or reconstruction of affordable housing.</li></ul>
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**Hearing Date:** 1/19/09

**Staff:** Thamas Osborn (786-7129)

**Background:**

Retail sales and use taxes are imposed by the state, by most cities, and all counties. Retail sales taxes are imposed on retail sales of most articles of tangible personal property and some services. Use taxes apply to the value of most tangible personal property and some services when used in this state, if retail sales taxes were not collected when the property or services were acquired by the user. Use tax rates are the same as retail sales tax rates. The state tax rate is 6.5 percent. Local tax rates vary from 0.5 percent to 1.4 percent, depending on the location. The average local tax rate is two percent, for an average combined state and local tax rate of 8.5 percent.

**Summary of Bill:**

Companies constructing or reconstructing housing funded, or partially funded, by a federal, state or local housing program are exempt from sales and use tax for that housing. Companies may apply for a refund from the Department of Revenue (DOR) for the state and local sales and use taxes paid for materials, labor and services associated with that housing.

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The DOR shall determine the form and manner of refund applications and may require documentation deemed necessary to verify eligibility of the application to receive a refund.

The Department of Community, Trade and Economic Development must work with the DOR and the Joint Legislative Audit and Review Committee to develop performance measures related to the effectiveness of the tax exemption in increasing the production of affordable housing.

A local jurisdiction may require a company exempt from sales and use tax to make payments for improvements, services, and facilities furnished by the jurisdiction for the benefit of the housing for which the company received the tax exemption. However, such payments may not exceed the amount that the jurisdiction would have received from the exempt taxes.

The sales and use tax exemption expires July 1, 2014.

**Appropriation:** None.

**Fiscal Note:** Requested on 1/14/2009.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.